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**Legal Services of North Louisiana, Inc.
Shreveport, Louisiana**

**Financial Statements
As of and for the Year Ended December 31, 2005
With Comparative Totals for 2004 and
Supplemental Information Schedules
LSC Grant Recipient Number 619061**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-16-06

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

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Independent Auditors' Report

To the Board of Directors
Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

We have audited the accompanying statement of financial position of Legal Services of North Louisiana, Inc. (a nonprofit organization) as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Legal Services of North Louisiana, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Services of North Louisiana, Inc., as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2006, on our consideration of Legal Services of North Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Legal Services of North Louisiana, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying supplemental schedules, listed as "Supplemental Information Schedules For Grants and Contract Analysis" in the table of contents and shown on pages 16 – 17, are presented for the purpose of providing the various funding sources of Legal Services of North Louisiana, Inc. additional individual grant and contract analysis and are not a required part of the financial statements. The information is prepared on a prescribed basis of the funding sources of Legal Services of North Louisiana, Inc. The schedules are not presented in accordance with generally accepted accounting principles. Accordingly, the schedules mentioned previously and shown on pages 16 – 17 are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion they are fairly stated on the basis of accounting practices prescribed by the funding sources.

Cook + Morehart

Cook and Morehart
Certified Public Accountants
April 13, 2006

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Statement of Financial Position
December 31, 2005, with Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
Assets		
Current Assets		
Cash	\$ 280,267	\$ 226,383
Client escrow funds	3,614	2,717
Grants receivable	52,219	84,594
Accounts receivable	<u>1,760</u>	<u>5,129</u>
Total current assets	<u>337,860</u>	<u>318,823</u>
Property and equipment	1,349,259	1,341,417
Accumulated depreciation	<u>(815,712)</u>	<u>(752,563)</u>
Net property and equipment	<u>533,547</u>	<u>588,854</u>
Deposits	<u>1,715</u>	<u>1,715</u>
Total assets	<u><u>\$ 873,122</u></u>	<u><u>\$ 909,392</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 45,197	\$ 71,417
Accrued liabilities	79,428	89,609
Current portion of long-term debt	46,183	89,354
Client trust deposits	<u>3,614</u>	<u>2,717</u>
Total current liabilities	<u>174,422</u>	<u>253,097</u>
Long-term debt, less current portion	<u>5,892</u>	<u>50,577</u>
Total liabilities	<u>180,314</u>	<u>303,674</u>
Net assets		
Unrestricted	71,604	15,538
Temporarily restricted		
Legal services corporation-grant	606,353	571,585
Non-LSC	14,851	18,595
Total temporarily restricted	<u>621,204</u>	<u>590,180</u>
Total net assets	<u>692,808</u>	<u>605,718</u>
Total liabilities and net assets	<u><u>\$ 873,122</u></u>	<u><u>\$ 909,392</u></u>

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Statement of Activities

For the Year Ended December 31, 2005, with Comparative Totals for 2004

	Unrestricted	Temporarily Restricted		2005 Total	2004 Total
		LSC	Non-LSC		
Revenue and support:					
Grants and Contracts	\$	\$ 1,770,839	\$ 381,999	\$ 2,152,838	\$ 2,277,443
Interest Income		4,579		4,579	3,607
Other	157,762			157,762	58,502
Net assets released from restrictions:					
Satisfaction of program restrictions	2,126,393	(1,740,650)	(385,743)	(2,126,393)	
Total revenues and other support	2,284,155	34,768	(3,744)	2,315,179	2,339,552
Expenses:					
Program Services	1,764,996			1,764,996	1,853,753
Management and General	463,093			463,093	449,045
Total expenses	2,228,089			2,228,089	2,302,798
Change in net assets	56,066	34,768	(3,744)	87,090	36,754
Net assets at beginning of year	15,538	571,585	18,595	605,718	568,964
Net assets at end of year	\$ 71,604	\$ 606,353	\$ 14,851	\$ 692,808	\$ 605,718

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Statement of Functional Expenses
For the Year Ended December 31, 2005, with Comparative Totals for 2004

	Program	Management & General	2005 Total	2004 Total
Personnel Expenses				
Lawyers	\$ 619,063	\$ 144,026	\$ 763,089	\$ 813,004
Paralegals	87,694		87,694	88,788
Other	360,311	135,995	496,306	505,251
Employee Benefits	268,281	70,372	338,653	322,039
Total Personnel Expenses	<u>1,335,349</u>	<u>350,393</u>	<u>1,685,742</u>	<u>1,729,082</u>
Other Expenses				
Space and Occupancy	44,370	11,639	56,009	77,375
Equipment Rental	11,264	2,955	14,219	15,398
Office Supplies and Expenses	45,891	12,038	57,929	64,458
Telephone	37,328	9,791	47,119	45,171
Travel	12,412	3,256	15,668	15,141
Training	31,889	8,365	40,254	50,339
Library	29,551	7,751	37,302	32,176
Insurance	35,367	9,277	44,644	44,550
Dues and Fees	10,421	2,733	13,154	13,018
Interest	5,842	1,532	7,374	10,735
Litigation	8,498	2,229	10,727	11,173
Contract Services to Clients	25,598	6,714	32,312	32,216
Depreciation	50,027	13,122	63,149	63,489
Other	81,190	21,297	102,487	98,477
Total Other Expenses	<u>429,647</u>	<u>112,700</u>	<u>542,347</u>	<u>573,716</u>
TOTAL EXPENSES	<u>\$ 1,764,996</u>	<u>\$ 463,093</u>	<u>\$ 2,228,089</u>	<u>\$ 2,302,798</u>

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Statement of Cash Flows
For the Year Ended December 31, 2005, with Comparative Totals for 2004

	2005	2004
Operating Activities:		
Change in net assets	\$ 87,090	\$ 36,754
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	63,149	63,489
Loss on disposal		1,639
(Increase) decrease in:		
Client escrow funds	(897)	(855)
Grants receivable	32,375	
Accounts receivable	3,369	(28,461)
Deposits		15
Increase (decrease) in:		
Accounts payable	(26,220)	35,552
Accrued expenses	(10,181)	12,747
Client Trust Deposits	897	855
Deferred revenue		(3,859)
Net cash provided by operating activities	<u>149,582</u>	<u>117,876</u>
Investing Activities:		
Purchase of property and equipment	(7,842)	(77,206)
Net cash (used) by investing activities	<u>(7,842)</u>	<u>(77,206)</u>
Financing Activities:		
Payments of long-term debt	(87,856)	(85,593)
Net cash (used) by financing activities	<u>(87,856)</u>	<u>(85,593)</u>
Net increase (decrease) in cash	53,884	(44,923)
Cash as of beginning of year	<u>226,383</u>	<u>271,306</u>
Cash as of end of year	<u>\$ 280,267</u>	<u>\$ 226,383</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 7,177</u>	<u>\$ 10,736</u>
Schedule of noncash investing and financing transactions		
Acquisition of equipment / building		
Cost of equipment / building	\$	\$ 97,352
Equipment / building loan		(20,146)
Cash down payment for equipment / building	<u>\$</u>	<u>\$ 77,206</u>

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005, with Comparative Totals for 2004

(1) Summary of Significant Accounting Policies

Legal Services of North Louisiana, Inc. (LSNL) is a private nonprofit corporation incorporated under the laws of the State of Louisiana and is governed by a Board of Directors composed of 15 members.

A. Nature of Activities

LSNL administered various federal, state, and miscellaneous grants during the year ended December 31, 2005. The grants are designed to provide eligible individuals with free legal services. The following programs, with their approximate percentage of total revenues indicated, are administered by LSNL :

Legal Services Corporation (LSC) – 77%
Interest on Lawyers' Trust Accounts (IOLTA) – 8%
United Way – 1%
Local Councils on Aging – 1%
Violence Against Women – 6%
Other – 7%

B. Basis of Accounting

The financial statements of LSNL have been prepared on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Income Tax Status

LSNL is a nonprofit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from activities not directly related to LSNL's tax-exempt purpose is subject to taxation as unrelated business income. LSNL had no such income for this audit period.

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005, with Comparative Totals for 2004
(Continued)

E. Property and Equipment

It is the policy of the agency to capitalize all fixed assets with a unit cost of \$1000 or more. All fixed assets are valued at historical cost. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition as well as the ownership of any proceeds therefrom is subject to federal regulations.

F. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending of the existence and/or nature of any donor restrictions.

Federal and state grant revenue and all other donor-restricted support are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

G. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

H. Compensated Absences – Accrued Leave

Employees of LSNL accrue leave at a rate based upon their length of service. Employees may not carry forward leave in excess of 125 hours from one year to the next. Employees leaving employment whether voluntarily or involuntary will be paid for all accrued annual leave. Employees may also accrue health leave, but accumulated health leave is forfeited upon separation of employment.

At December 31, 2005, the approximate amount of accumulated and vested employee leave benefits accrued was \$34,143.

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, LSNL considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005, with Comparative Totals for 2004
(Continued)

J. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among program and management and general services.

K. Reclassifications

The following amounts have been reclassified from temporarily restricted net assets to unrestricted net assets by expending funds which satisfied the restricted purposes specified by the donors:

LSC	\$ 1,740,650
United Way	24,119
Councils on Aging	27,548
IOLTA	174,997
VAWA	149,434
Other	<u>9,645</u>
Total	<u>\$ 2,126,393</u>

L. Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2004, from which the summarized information was derived.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject LSNL to concentrations of credit risk consist principally of temporary cash investments and grants receivable. Concentrations of credit risk with respect to grants receivable are limited due to the majority of these amounts being due from governmental agencies under contractual terms. As of December 31, 2005, LSNL had no significant concentrations of credit risk in relation to grants receivable. LSNL maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2005 total cash balances held at the financial institution was \$308,213. Of this amount, \$269,690 was secured by FDIC and the remaining \$38,523 was unsecured.

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005, with Comparative Totals for 2004
(Continued)

(3) Accrued Liabilities

An analysis of LSNL's accrued liabilities at December 31, 2005 is as follows:

Payroll taxes	\$ 1,628
Insurance / benefits	6,589
Accrued leave	34,143
Accrued payroll	<u>37,068</u>
Total	<u>\$ 79,428</u>

(4) Property and Equipment

Property and equipment at December 31, 2005 consisted of the following:

	Estimated Depreciable Life	Purchased With LSC Funds	Purchased With Non-LSC Funds	Total
Land	20-30 years	\$ 137,100	\$ -	\$ 137,100
Buildings	20-30 years	461,588	-	461,588
Leasehold Improvements	20-30 years	26,889	-	26,889
Furniture, Fixtures, and Equipment	5-10 years	602,420	52,583	655,003
Law Library	5 years	66,635	2,044	68,679
Accumulated depreciation		<u>(775,937)</u>	<u>(39,775)</u>	<u>(815,712)</u>
Net investment in property and equipment		<u>\$ 518,695</u>	<u>\$ 14,852</u>	<u>\$ 533,547</u>

Depreciation expense for the year ended December 31, 2005 was \$63,149.

(5) Leases

LSNL leases postage machines, a security system, and copiers under operating leases. The rental cost on the equipment paid during the year ended December 31, 2005 was \$13,180.

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005, with Comparative Totals for 2004
(Continued)

Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year are as follows:

For the Year Ending <u>December 31,</u>	
2006	\$ 2,111
2007	<u>322</u>
Total minimum future rentals	<u>\$ 2,433</u>

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2005 were available for the following purposes:

LSC Grant – Operating	\$ 139,733
LSC – Property	466,620
Non-LSC Property	<u>14,851</u>
	<u>\$ 621,204</u>

(7) Contractual Revenue – Grants

During the year ended December 31, 2005, LSNL received contractual revenue from federal, state, and miscellaneous grants in the amount of \$2,152,838. The continued existence of these funds is based on annual contract renewals with various funding sources.

(8) Client Trust Funds

Client trust funds are funds received by LSNL from or on behalf of a client. A separate escrow bank account is maintained, as well as separate client trust records for each client. Client trust funds are not the property of LSNL, and, as a result, are reported as both an asset and a liability in the Statement of Financial Position.

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005, with Comparative Totals for 2004
(Continued)

(9) Private Attorney Involvement

The following details the private attorney involvement (PAI) activity for the year ended December 31, 2005:

	<u>LSC</u>	<u>Other</u>	<u>Total</u>
Lawyers	\$ 28,415	\$ -	\$ 28,415
Paralegals	39,774	13,417	53,191
Other	35,536	-	35,536
Employee Benefits	29,286	-	29,286
Space and occupancy	4,851	-	4,851
Equipment rental	970	-	970
Office supplies and expenses	6,431	-	6,431
Telephone	4,223	-	4,223
Travel	1,268	-	1,268
Training	5,910	-	5,910
Library	3,290	-	3,290
Insurance	4,624	-	4,624
Dues & fees	1,285	-	1,285
Litigation	1,465	-	1,465
Contract services to clients	32,312	-	32,312
Mortgage payments	9,370	-	9,370
Other	<u>12,549</u>	<u>-</u>	<u>12,549</u>
Total	<u>\$ 221,559</u>	<u>\$ 13,417</u>	<u>\$ 234,976</u>

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005, with Comparative Totals for 2004
(Continued)

(10) Long-Term Debt

Long-term debt at December 31, 2005, consisted of the following:

Promissory note to AmSouth Bank, in the original amount of \$20,146 dated February 11, 2004, due in forty-eight (48) monthly payments of \$466 including interest, with final payment due February 11, 2008, with interest rate 5.25%, secured by vehicle \$ 11,031

Promissory note to AmSouth Bank, in the original amount of \$100,000 dated April 2, 2003, due in thirty-six (36) monthly payments of \$3,020 including interest, with final payment due April 2, 2006, with interest rate 5.5%, secured by equipment and vehicles 9,122

Promissory note to Hibernia Bank, in the original amount of \$189,000 dated July 8, 2002, due in forty-eight (48) monthly payments of \$4,433 including interest, with final payment due June 2006, with interest rate 5.86%, secured by building 31,922

52,075

Less current portion (46,183)

Long-term portion \$ 5,892

Approximate maturities of long-term debt are summarized as follows:

<u>For the Year Ending</u> <u>December 31,</u>	<u>Approximate</u> <u>Amount</u>
2006	\$ 46,183
2007	5,415
2008	<u>477</u>
	<u>\$ 52,075</u>

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2005, with Comparative Totals for 2004
(Continued)

(11) Retirement Plan

LSNL contributes to an annuity program on behalf of its employees. LSNL changed its contribution during 2003 from 7.65% to 5% of the employees' annual compensation. An employee must contribute three years of employment in order to be vested in the plan. Contributions made by the employer are returned to the employer if the employee leaves before becoming vested. Employees may contribute up to twenty-five per cent of their annual compensation. The employee contributions are tax-deferred to the employee. Total employer contributions for the year ended December 31, 2005, were \$66,109.

(12) Buildings – Property Costs

The following details costs directly related to the purchase and/or maintenance of property paid out of LSC funds:

	Central Office Building	Monroe Building	Natchitoches Building	Total
Derivative income	\$ –	\$ –	\$ –	\$ –
Paid in principal	–	48,302	–	48,302
Interest expense	–	4,544	–	4,544
Building maintenance	2,369	10,420	10,932	23,721
Insurance	5,702	1,442	1,211	8,355
Taxes	–	–	–	–
Improvements	–	6,750	–	6,750
	<u>\$ 8,071</u>	<u>\$ 71,458</u>	<u>\$ 12,143</u>	<u>\$ 91,672</u>

(13) Contingency

LSNL is currently the defendant in a lawsuit, the ultimate outcome of which is unknown at this time. In the opinion of legal counsel, the amount of any damages awarded in excess of LSNL's current insurance coverage cannot be reasonably estimated at this time.

**Supplemental Information Schedules Prepared
For Grants and Contracts Analysis**

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Support, Revenue, and Expenses and Changes in Net Assets for LSC Funds
For the Year Ended December 31, 2005, with Comparative Totals for 2004

	Basic Field Grant	Private Attorney Involvement	Total	Property	2005 Grand Total	2004 Grand Total
Support and Revenue						
Grants and Contracts	\$ 1,549,280	\$ 221,559	\$ 1,770,839	\$	\$ 1,770,839	\$ 1,800,999
Interest Income	4,579		4,579		4,579	3,607
Other						11,576
Total	1,553,859	221,559	1,775,418		1,775,418	1,816,182
Personnel Expenses						
Lawyers	421,290	28,415	449,705		449,705	471,984
Paralegals	34,503	39,774	74,277		74,277	62,599
Other	460,769	35,536	496,305		496,305	505,251
Employee Benefits	241,405	29,286	270,691		270,691	263,411
Total	1,157,967	133,011	1,290,978		1,290,978	1,303,245
Other Expenses						
Space and Occupancy	43,808	4,851	48,659		48,659	75,575
Equipment Rental	13,249	970	14,219		14,219	15,398
Office Supplies and Expenses	42,825	6,431	49,256		49,256	57,193
Telephone	34,560	4,223	38,783		38,783	38,123
Travel	14,400	1,268	15,668		15,668	15,141
Training	23,940	5,910	29,850		29,850	43,590
Library	34,012	3,290	37,302		37,302	32,176
Insurance	34,020	4,624	38,644		38,644	38,947
Dues and fees	2,300	1,285	3,585		3,585	3,494
Litigation	7,263	1,465	8,728		8,728	8,688
Contract Services to Clients	4,487	32,312	36,799		36,799	32,216
Other	49,681	11,718	61,399		61,399	57,749
Interest expense	6,543	831	7,374		7,374	10,735
Depreciation				59,406	59,406	59,849
Total	311,088	79,178	390,266	59,406	449,672	488,874
Total Expenses	1,469,055	212,189	1,681,244	59,406	1,740,650	1,792,119
Support and Revenue Over (Under)						
Expenses and losses	84,804	9,370	94,174	(59,406)	34,768	24,063
Other Changes in Net Assets:						
Note Payments	(78,486)	(9,370)	(87,856)	87,856		
Acquisition of property	(7,842)		(7,842)	7,842		
Total Other Changes	(86,328)	(9,370)	(95,698)	95,698		
Total Changes in Net Assets	(1,524)		(1,524)	36,292	34,768	24,063
Net Assets at beginning of year	141,257		141,257	430,328	571,585	547,522
Net Assets at end of year	\$ 139,733	\$	\$ 139,733	\$ 466,620	\$ 606,353	\$ 571,585

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Interest on Lawyers Trust Accounts (IOLTA) Grant Activity
Grant No. 2005-0023 and Grant No. 2004-0031
For the Year Ended December 31, 2005, with Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
Revenue Received - IOLTA Grant	\$ 174,997	\$ 239,949
Personnel Expenses		
Lawyers	104,724	158,948
Paralegals	13,417	21,689
Employee Benefits	28,279	34,809
Total Personnel Expenses	<u>146,420</u>	<u>215,446</u>
Other Expenses		
Space and occupancy	3,600	
Office supplies	3,600	3,500
Telephone	3,600	3,700
Training	325	
Insurance	2,500	2,500
Dues and fees	6,550	6,401
Access to Justice	6,002	6,002
Audit expense	2,400	2,400
Total Other Expenses	<u>28,577</u>	<u>24,503</u>
Total Expenses	<u>174,997</u>	<u>239,949</u>
Excess (Deficit)	<u>\$</u>	<u>\$</u>

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2005

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Expenditures
<u>Legal Service Corporation</u>		
Direct Programs		
Basic Field Grant	09.619061	\$ 1,776,942
<u>Department of Justice</u>		
Direct Program		
Violence against Women	16.588	<u>130,161</u>
Total federal expenditures		<u>\$ 1,907,103</u>

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

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Report on on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

To the Board of Directors
Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

We have audited the financial statements of Legal Services of North Louisiana, Inc. (a nonprofit organization) as of and for the year ended December 31, 2005, and have issued our report thereon dated April 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Legal Services of North Louisiana, Inc.*'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of *Legal Services of North Louisiana, Inc.* in a separate management letter dated April 13, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Legal Services of North Louisiana, Inc.*'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cook & Morehart

Cook & Morehart

Certified Public Accountants

April 13, 2006

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Directors
Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

Compliance

We have audited the compliance of Legal Services of North Louisiana, Inc., (a nonprofit organization) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and in the *Legal Services Corporation Audit Guide and Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Legal Services of North Louisiana, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Legal Services of North Louisiana, Inc.'s management. Our responsibility is to express an opinion on Legal Services of North Louisiana, Inc.'s compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Legal Services Corporation Audit Guide and Compliance Supplement*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Legal Services of North Louisiana, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Legal Services of North Louisiana, Inc.'s compliance with those requirements.

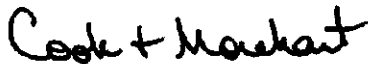
In our opinion, Legal Services of North Louisiana, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Legal Services of North Louisiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Legal Services of North Louisiana, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart

Certified Public Accountants

April 13, 2006

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Summary Schedule of Prior Audit Findings
December 31, 2005

There were no findings in the prior year audit for the year ended December 31, 2004.

Schedule of Findings and Questioned Costs
December 31, 2005

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Legal Services of North Louisiana, Inc.
2. *No reportable conditions are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.*
3. No instances of noncompliance material to the financial statements of Legal Services of North Louisiana, Inc. were disclosed during the audit.
4. No reportable conditions are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Legal Services of North Louisiana, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award program for Legal Services of North Louisiana, Inc. reported in Part C. of this Schedule.
7. The program tested as a major program was the Legal Service Corporation program CFDA #09.619061.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Legal Services of North Louisiana, Inc. was not determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

NONE

C. Findings and Questioned Costs – Major Federal Award Programs Audit

NONE

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Prior Audit Findings For Louisiana Legislative Auditor
December 31, 2005

There were no findings in the previous audit for the year ended December 31, 2004.

There were four management letter comments in the previous audit for the year ended December 31, 2004, as follows:

Comment #1 – Bank Reconciliations

See repeat comment in current year audit.

Comment #2 – Credit Cards

No comment in current year audit.

Comment #3 – Payroll Allocations

No comment in current year audit.

Comment #4 – Client File Exam

See comment in current year audit.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Current Audit Findings For Louisiana Legislative Auditor
December 31, 2005

There were no findings for the current year audit period ended December 31, 2005.

There were four management letter comments for the current audit year ended December 31, 2005.
Management's response to these is as follows:

Comment #1 – Bank Reconciliations

Effective immediately, Legal Services of North Louisiana, Inc. has implemented the following policy on reconciliations.

The day in which bank statements are received, they shall be delivered separately from other mail directly to the Executive Director for review. The Executive Director shall review all bank statements no later than the next business day. After the review, the statements shall be delivered to the Compliance Auditor for review of adjusting general journal entries such as deposits, interest income, etc. The Compliance Auditor, *not later than next business day after receipt, shall deliver the statements to the Executive Assistant for reconciliation no later than two business days.* The Executive Assistant shall be allowed one to two days of uninterrupted time in order to solely reconcile all bank statements. All bank statements shall be reconciled within six business days after receipt.

Comment #2 – Invoice Payments

Sometimes, given specific situations, bills must be paid via a faxed copy, however, Legal Services of North Louisiana, Inc. will attempt to pay only from original invoices.

Comment #3 – Payroll Deductions

Legal Services of North Louisiana, Inc. has drafted a form for utilization in obtaining written employee authorization for payroll deductions.

Comment #4 – Client File Exam

Effective immediately, Legal Services of North Louisiana, Inc. will review the procedures used to review closed files to determine if someone other than the Managing Attorneys can make sure all documents on the *Closing Checklist are in each closed file. The Office Manager or their designee may be assigned this responsibility in addition to the review by the Managing Attorney.* Also, file organization and file closing will be more strongly emphasized in the new employee orientation. This checklist shall remain part of the file along with the review signatures of the Managing Attorney and Office Manager or their designee.

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Management Letter

April 13, 2006

Board of Directors
Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

We have audited the financial statements of Legal Services of North Louisiana, Inc. for the year ended December 31, 2005, and have issued our report thereon dated April 13, 2006. In planning and performing our audit of the financial statements of Legal Services of North Louisiana, Inc, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control over financial reporting or operations of Legal Services of North Louisiana, Inc.

(1) Bank Reconciliations

During our audit, we noted that bank reconciliations were not being performed in a timely manner during the year.

We recommend that bank reconciliations be completed and submitted to management for approval in a timely manner.

(2) Invoice Payments

During our audit, we noted three instances where the agency paid from copies of invoices, rather than from original vendor invoices.

We recommend that payments be made only upon receipt of original vendor invoices.

(3) Payroll Deductions

During our audit, we noted seven instances where the amount deducted from an employee's pay did not agree with the written authorization for deductions.

We recommend that written authorizations be obtained and updated as needed for all amounts to be withheld from employees' pay.

(4) Client File Exam

During our audit, we tested 60 client files for eligibility and compliance with LSC regulations. We noted the following exceptions:

- ☐ Two client files did not contain citizenship attestation statements.
- ☐ Two client files did not contain written retainer agreements.
- ☐ One file was listed on report of all cases open during 2005, but was actually closed in 2001.

We recommend that the agency implement procedures for ensuring that all required documentation is contained in client files.

We express sincere thanks to Legal Services of North Louisiana, Inc. personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Cook & Morehart

Cook & Morehart
Certified Public Accountants
April 13, 2006